



State of South Carolina

Office of the Governor

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GOVERNOR

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May 31, 2006

The Honorable Robert Harrell, Jr.
Speaker of the House of Representatives
Post Office Box 11867
Columbia, South Carolina 29211

Dear Mr. Speaker and Members of the House:

Very reluctantly I am hereby vetoing and returning without my approval H. 4840, R-343.

H. 4840 would allow corporations and individual to take a nonrefundable tax credit of 100 percent against state income taxes or insurance premium taxes for contributing to the newly created "Industry Partnership Fund" – a fund created to distribute dollars to each of the South Carolina Research Innovation Centers (SCRIC) by the South Carolina Research Authority (SCRA).

To be clear, improving the economic soil conditions of our state so that we may better compete in this global marketplace is always a priority of this administration. I have advocated for legislative changes that lead to reducing the tax burden for small businesses and reformed our current tort law – both changes, along with others, that will create more jobs, attract capital investment, and strengthen the entire South Carolina business environment.

It is also with this same conviction to grow our economy that I signed just last year H. 3794, R-133. This piece of legislation created the three Innovation Centers dedicated toward product development in the research areas of biomedical, hydrogen, and automotive at each of the research universities of the state. But most importantly, this bill dedicated a revenue source of \$12 million over the next three years for this initiative while stating in Section 13-17-87(D)(2) that "after the initial three-year period, the State shall explore methods to provide additional funding until the innovation centers have a reasonable opportunity to become self-sustaining". H. 4840, however, breaks from this language by asking for millions more from our taxpayers without taking the original amount of time that we had committed to ensure the best funding mechanism is utilized for this project. And while I continue to believe that expanding our knowledge-based industry is worthwhile, it is also imperative that we make sure the Innovation Centers use the first allotment of money effectively within the original time devoted to ensure in future years the strongest public/private partnership is formed.

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Second, this administration continues to believe in the importance of building a strategy to bring the private sector to the table in the overall goal of strengthening our economy. To date, this strategy has been predicated on public dollars drawing down investments from the private sector. This bill however gives a dollar for dollar state tax credit back to a corporation that might contribute to this fund – or just a backdoor way of state government providing the entire financial support for the Innovation Centers without any real monetary commitment from the private industry. If South Carolina hopes to compete with the likes of a Research Triangle in North Carolina, we must advocate for incentives and policy changes that secure a true private investment.

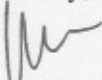
Let me be clear, I believe in the public private partnerships contemplated in this act. But to have a public private partnership, the private sector must put in private investment. Calling private investment that is created as a result of a dollar for dollar credit is a stretch in what most would consider private investment. I do not believe it represents the real private investment that is so critical to the long term viability crucial to the success of these innovation centers that I join so many others in believing important to South Carolina's growth.

Finally as an aside, since taking office, this administration has argued that school choice will allow an opportunity for parents to take advantage of the best educational options available for their children. And in past proposals, this opportunity was to be partly funded through private donations into a fund that would later be credited to deserving children so that our academic achievement level may grow. Along the same lines, I find it ironic that to date the majority of the General Assembly sees the value in allowing an individual or corporation contribute to a fund intended to help grow these incubation centers but does not see the same value in allowing the individuals or corporations contribute to a fund that would arguably cause the same level of innovation in our K-12 education system.

This administration will continue to support legislation that will effectively promote economic prosperity for the entire business community. However, I believe it is our duty as advocates of this economic prosperity to first look at all means of financial support for research being done at the Innovation Centers – particularly means that include a true investment by the private sector.

For these reasons, I am returning H. 4840 to you without my signature.

Sincerely,



Mark Sanford